

STEPTOE & JOHNSON

ATTORNEYS AT LAW

1330 CONNECTICUT AVENUE

WASHINGTON, D. C. 20036

ROBERT J. CORBER

(202) 429-8108

November 17, 1988

1 6039
RECORDATION NO. _____
NOV 17 1988 9 44 AM
INTERSTATE COMMERCE COMMISSION

Ms. Noreta R. McGee
Secretary
Interstate Commerce Commission
Room 2215
Washington, D.C. 20423

No. 8-322A030
NOV 17 1988
Date
Fee \$ 13.00

ICC Washington, D. C.

Dear Ms. McGee:

Enclosed for filing and recordation pursuant to the provisions of 49 U.S.C. §11303 are the original and one copy of the document hereinafter described. It relates to the railroad equipment identified below.

1. Lease Agreement dated as of May 1, 1986 between Brae Transportation, Inc., as lessor, and Burlington Northern Railroad Company, as lessee.

The equipment subject to this agreement consists of 145 railroad cars bearing the marks BN 223392 - 223536, inclusive.

The names and addresses of the parties to the document are as follows.

Lessor: Brae Transportation, Inc.
One Hundred Sixty Spear Street
San Francisco, California 94105

Lessee: Burlington Northern Railroad Company
9401 Indian Creek Parkway
Overland Park, Kansas 66210

A fee of \$13.00 is enclosed. Please return the original and any extra copies not needed by the Commission for recordation to the person presenting this letter.

A short summary of each document to appear in the index follows:

NOV 17 9 22 AM '88
MOTOR ...
ICC

Handwritten signature

Ms. Noreta R. McGee
November 17, 1988
Page Two

1. Lease Agreement dated as of May 1, 1986 between
Brae Transportation, Inc., and Burlington Northern Railroad
Company, covering railcars marked BN 223392 through 223536.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Robert J. Corber".

Robert J. Corber

Enclosures as stated

STEPTOE & JOHNSON

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WASHINGTON, D. C. 20036

ROBERT J. CORBER

(202) 429-8108

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RECORDED IN _____ FILE 220
NOV 17 1988 - 9 11 AM
INTERSTATE COMMERCE COMMISSION

BRAE COUNTERPART

COPY

BRAE TRANSPORTATION, INC.

LEASE AGREEMENT

LEASE AGREEMENT, dated as of May 1, 1986, between BRAE TRANSPORTATION, INC., Four Embarcadero Center, Suite 3100, San Francisco, California 94111 ("BRAE"), as lessor, and BURLINGTON NORTHERN RAILROAD COMPANY, 9401 Indian Creek Parkway, Overland Park, Kansas 66210 ("Lessee"), as lessee.

1. Scope of Agreement

A. BRAE agrees to lease to Lessee, and Lessee agrees to lease from BRAE, the freight cars described in the lease schedule attached hereto and executed by the parties concurrently herewith and any other lease schedules hereafter executed and made a part of the Agreement. The word "Schedule" as used herein includes the Schedule or Schedules executed herewith and any additional Schedules and amendments thereto, each of which when signed by both parties shall be a part of this Agreement. The scheduled items of equipment are hereinafter called collectively the "Cars".

B. It is the intent of the parties to this Agreement that BRAE shall at all times be and remain the lessor of the Cars. Lessee agrees that it will at no time take any action or file any document which is inconsistent with the foregoing intent and that it will take such action and execute such documents as may be necessary to accomplish this intent.

2. Term

This Agreement shall remain in full force until it shall have been terminated as to all of the Cars as provided herein. The lease pursuant to this Agreement with respect to each Car shall commence after delivery of the Car to Lessee as Provided in Section 3.A., and shall continue until December 31, 1991.

3. Supply Provisions

A. BRAE will cause the Cars to be delivered to Lessee by causing them to be diverted to Lessee's railroad tracks. Prior to interchanging the Cars to Lessee, Lessee and BRAE will perform a joint inspection of Cars. Each of the Cars accepted by Lessee after joint inspection, and each of the Cars rejected by Lessee and subsequently repaired or reconditioned by BRAE, shall be deemed to be delivered to Lessee and the lease pursuant to this Agreement to have commenced with respect to such Car upon delivery to any interchange point on Lessee's railroad tracks. Cars received at Lessee's tracks not jointly inspected and found in need of repairs must be reported to BRAE by telex within thirty (30) calendar days after arrival in interchange. Telex shall state extent of repairs required. Within five (5) working days after receipt of such telex, BRAE shall either authorize repairs or request that a joint inspection be conducted. At the time BRAE issues authority to repair, BRAE and Lessee will agree in writing to a reasonable time in which to perform repairs, after which the Cars will be deemed to be delivered. The Cars shall be moved to Lessee's railroad line at no cost to Lessee as soon after execution and delivery of this Lease Agreement as is consistent with mutual convenience and economy. Due to the nature of the railroad operations in the United States, BRAE can neither control nor determine

when the Cars leased hereunder will actually be available to Lessee for its use on its railroad tracks. It is the intent of the parties that the Cars shall be delivered to Lessee commencing as of August 1986, and that the last of the Cars shall be delivered to Lessee no later than November 30, 1986. In order to move the Cars to Lessee's railroad line and insure optimal use of the Cars, BRAE agrees to assist Lessee in monitoring Car movements and, when deemed necessary by Lessee and BRAE, to issue movement orders with respect to such Cars to other railroad lines in accordance with Interstate Commerce Commission ("ICC") and Association of American Railroads ("AAR") interchange agreements and rules. Hereinafter, Interchange Rules shall mean all codes, rules, interpretations, laws or orders governing hire, service, use, condition, repair and all other matters pertaining to the interchange of freight traffic reasonably interpreted as being applicable to the Cars, adopted and in effect from time to time by the AAR and any other organization, association, agency or governmental authority, including the ICC and the United States Department of Transportation, which may from time to time be responsible for or have authority to impose such codes, rules, interpretations, laws or orders.

B. BRAE has at any time the right, upon 60 days written notice and with the consent of Lessee, which consent shall not be withheld unreasonably, to replace any or all of the Cars with new, used or rebuilt cars of the same general class and type, same general age, and in the same general condition as those originally leased hereunder. BRAE shall reimburse Lessee for and/or directly bear all costs of marshalling and and returning the replaced Cars, restenciling the replacement Cars, and any other associated costs.

4. Railroad Markings and Record Keeping

A. BRAE and Lessee agree that upon delivery of the Cars to Lessee, the Cars will be lettered with the railroad markings of Lessee and may also be marked with the name and/or other insignia used by Lessee. BRAE and Lessee further agree that any Car may also be marked with the name of BRAE and any other information required by an owner or secured party under a financing agreement entered into by BRAE in connection with the acquisition of such Car. All such names, insignia and other information shall comply with all applicable regulations. BRAE agrees to remit to Lessee Lessee's actual costs up to \$125 per Car for performing the work described in this Section 4.A. Such payment shall be deducted from the first three months' rent.

B. Lessee shall perform all record-keeping functions related to the use of the Cars by Lessee and other railroads in accordance with the Interchange Rules and AAR railroad Interchange agreements, such as car hire reconciliation. Correspondence from railroads using such Cars shall be addressed to Lessee at such address as Lessee shall select. All record keeping performed by Lessee hereunder and a record of all payments, charges and correspondence related to the Cars shall be separately recorded and maintained by Lessee in a form suitable for reasonable inspection by BRAE from time to time during Lessee's regular business hours. Lessee shall supply BRAE with such reports regarding the use of the Cars and Lessee's obligations under this Agreement as BRAE may reasonably request.

5. Maintenance, Taxes and Insurance

A. Except as otherwise provided herein, BRAE will pay all costs, expenses, fees and charges incurred in connection with the use and operation of

each of the Cars during the lease term, including but not limited to repairs, maintenance and servicing, unless the same was occasioned by the negligence of Lessee. Lessee shall accept Cars interchanged to it according to applicable sections of the Interchange Rules. Lessee shall also secure from interchanging lines any documentation prescribed by the Interchange Rules for damaged Cars and promptly mail such documentation to BRAE. Lessee shall be responsible for costs of cleaning, servicing, or repairs required but not noted at the time of interchange. Lessee agrees that BRAE will be responsible for designating the repair facility for any damaged Cars which are subject to defect cards issued by any foreign lines, and that BRAE shall have control over the performance and acceptance of such repair work. Lessee shall promptly report to BRAE any damage or other condition of any Car which Lessee considers will make such Car unsuitable for use.

B. Except as provided in Section 5A hereof, BRAE, at its sole expense, shall promptly make or cause to be made such inspections of, and maintenance and repairs to, the Cars as may be required. At BRAE's sole expense, Lessee shall perform any necessary maintenance and repairs to Cars on Lessee's railroad tracks, in accordance with the Interchange Rules, and at rates not in excess of those published by the AAR for labor and materials, as may be reasonably requested by BRAE. BRAE shall also promptly make, at its expense, all alterations, modifications or replacement of parts as shall be necessary to maintain the Cars in good operating condition throughout the term of the lease of such Cars. Lessee may make running repairs, in accordance with the Interchange Rules and standards, at BRAE's expense, to facilitate continued immediate use of a Car, but shall not otherwise make any other repairs, alterations, improvements or additions to the Cars without BRAE's prior written consent. Lessee shall provide BRAE with billing repair cards in AAR format for all repairs made by Lessee and any other party performing work on the Cars. If Lessee makes an alteration, improvement or addition to any Car without BRAE's prior written consent, Lessee shall be liable to BRAE for any revenues lost due to such alteration and any costs reasonably incurred by BRAE to restore any Car to its condition prior to such Lessee change. Title to any such alteration, improvement or addition shall be and remain with BRAE (or its assignee).

C. BRAE shall have ninety days to complete any of the inspection, maintenance or repair work that it reserves the right to perform under this lease, commencing on the day that it assumes control of the Car(s) for these purposes. If such work is not completed and the Car(s) placed in service within said ninety (90) days, all lease payments on such Car(s) shall cease and not resume until the work is completed and the Car(s) placed in service.

D. When Lessee removes defective hydraulic end of car cushioning units, Lessee will obtain replacements from BRAE and defective units will be returned to locations designated by BRAE, except that Lessee shall not be required to hold up movement or transfer cars, and, accordingly may replace up to six such defective hydraulic units in-kind per year, from its own material stock. Furthermore, Lessee shall not be obligated to obtain replacements from BRAE and is free to make replacements itself, if it replaces any such defective unit with a Keystone unit. As to such units replaced by Lessee, BRAE shall have the option to replace the unit(s) in Lessee's inventory in lieu of reimbursing Lessee's material charge. All transportation costs associated with the replacement of such hydraulic units by BRAE and their return to BRAE by Lessee shall be borne by BRAE.

E. Except as provided above, Lessee will, at all times while this

Agreement is in effect, be responsible for the Cars while on Lessee's railroad tracks in the same manner that Lessee is responsible under the Interchange Rules for freight cars not owned by Lessee on Lessee's railroad tracks.

F. BRAE agrees to reimburse Lessee for all taxes, assessments and other governmental charges of whatsoever kind or character paid by Lessee relating to each Car and on the lease, delivery or operation thereof which may remain unpaid as of the date of delivery of such Car to Lessee. Thereafter, Lessee agrees to pay all such taxes (excluding taxes based on income), assessments and other governmental charges of whatsoever kind or character which may be accrued, levied, assessed or imposed on the Cars during the lease term. BRAE and Lessee will comply with all state and local laws requiring the filing of ad valorem tax returns on the Cars. Lessee will send to BRAE, within five business days after receipt by Lessee from the taxing authorities, any notice of assessment of a tax which BRAE is obligated to pay pursuant hereto. BRAE shall review all applicable tax returns prior to filing.

G. Lessee and BRAE will make every reasonable effort to resolve between themselves concerns or disputes about the maintenance of the Cars. For auditing and processing purposes, Lessee shall treat foreign line repair bills on the Cars with the same care and diligence as it handles foreign line repair bills on equipment it owns or as to which it pays the costs.

6. Lease Rental

A. Any hourly car hire payments or mileage allowances payable by other railroads for their use and handling of the Cars, shall be collected by Lessee. Lessee shall remit to BRAE all such payments within 90 days after the end of the calendar month in which such payments are earned, provided, however, that Lessee shall remit 20% of such payments received after Utilization of such Cars exceeds 50%. For the purpose of this Agreement, "Utilization" shall mean with respect to any period a fraction, the numerator of which is (x) the aggregate number of car hours for which payments are earned by Lessee during such period, and the denominator of which is (y) the aggregate number of car hours during such period. If at any time during any consecutive twelve month period, the Cars have only earned car hire payments such as to make it mathematically certain that the Utilization in such twelve month period cannot be equal to or greater than 30%, BRAE may, at its option and upon not less than forty (40) days prior written notice to Lessee, after engaging during such period in good faith discussions with Lessee in an effort to achieve a mutually satisfactory resolution other than termination, terminate this Agreement as to such Cars as BRAE shall determine, provided, however, that if Lessee, at its sole option and as an alternative to BRAE's right of termination hereunder, shall remit to BRAE during such forty day period the amount of revenues that the Cars should have earned in such twelve month period if Utilization was equal to 30%, BRAE shall not be permitted to terminate this Agreement as to such Cars, but provided, further, that BRAE shall have no right to terminate any Cars as provided in this paragraph during the first twelve months after the last of the Cars have been delivered to Lessee. Lessee will use its best efforts to maintain the level of Utilization of the Cars at no less than the average Utilization of similar cars owned by Lessee or an affiliate. It is further agreed by the parties that the Cars shall earn car hire payments, for purposes of the foregoing guarantee of Utilization, at the rate shown in the attached lease equipment schedule, and that such car hire rates shall be adjusted downward during the term hereof only as is provided currently by AAR and ICC rules to reflect the aging of the Cars. If subsequent deregulation permits Lessee to set car hire rates for such cars,

Lessee shall not agree to reduce the car hire rates further without the prior written consent of BRAE, unless it pays BRAE, for purposes of the foregoing guarantee of Utilization, at the last applicable UMLER rate in effect prior to deregulation.

B. In the event damage beyond repair or destruction of a Car has been reported in accordance with the Interchange Rules and the appropriate amount due as a result thereof is received by BRAE, the damaged or destroyed Car will be removed from the coverage of this Agreement as of the date that car hire payments ceased. Settlement will be made in accordance with the AAR Interchange Rules. Any amounts received by Lessee as a result of such damage will be promptly paid over to BRAE.

7. Possession and Use

A. So long as Lessee shall not be in default under this Agreement, Lessee shall be entitled to the possession, use and quiet enjoyment of the Cars in accordance with the terms of this Agreement and in the manner and to the extent cars are customarily used in the railroad freight business. However, Lessee's rights shall be subject and subordinate to the rights of any owner or secured party under any financing agreement entered into by BRAE in connection with the acquisition of some or all of the Cars, to the extent that upon notice to Lessee from any such secured party or owner that an event of default has occurred and is continuing under such financing agreement, such party may require that all rent shall be paid directly to such party or that Cars immediately be returned to such party, provided the Lessee is given the option to remedy such default and thereby retain possession, use, and quiet enjoyment of the Cars. Lessee agrees that to the extent it has physical possession and can control use of the Cars, the Cars will at all times be used and operated under and in compliance with the laws of the jurisdiction in which the same may be located and in compliance with all lawful acts, rules and regulations, and orders of any governmental bodies or officers having power to regulate or supervise the use of such property, except that either BRAE or Lessee may in good faith and by appropriate proceedings contest the application of any such rule, regulation or order in any reasonable manner at the expense of the contesting party.

B. Lessee will not directly or indirectly create, incur, assume, or suffer to exist (except as provided in Section 7A) any mortgage, pledge, lien, charge, encumbrance, or other security interest or claim on or with respect to the Cars or Cars described in any Schedule hereto. Lessee will promptly, at its expense, take such action as may be necessary duly to discharge any such mortgage, pledge, lien, charge, encumbrance, security interest, or claim if the same shall arise at any time.

8. Default

A. The occurrence of any of the following events shall be an Event of Default:

(i) The nonpayment by Lessee of any sum required herein to be paid by Lessee within ten (10) days after the date any such payment is due.

(ii) The breach by Lessee of any other term, covenant, or condition of this Agreement, which is not cured within ten (10) days after written notice thereof is served on Lessee.

(iii) Any act of insolvency or bankruptcy by Lessee, or the filing by Lessee of any petition or action under any bankruptcy, reorganization, insolvency or moratorium law, or any other law or laws for the relief of, or relating to, debtors.

(iv) The filling of any involuntary petition under any bankruptcy, reorganization, insolvency or moratorium law against Lessee that is not dismissed within sixty (60) days thereafter, or the appointment of any receiver or trustee to take possession of the properties of Lessee, unless such petition or appointment is set aside or withdrawn or ceases to be in effect within sixty (60) days from the date of filing or appointment.

(v) Any representation or warranty made by Lessee herein or any other document delivered to BRAE by Lessee related to this Lease shall prove to have been false or incorrect in any material respect on the date when made and such breach or default shall continue for a period of thirty (30) days after written notice to Lessee of such default has been received.

B. Upon the occurrence of any such Event of Default, BRAE may, at its option:

(i) Terminate this Agreement, proceed by any lawful means to recover damages for a breach hereof, and terminate Lessee's right of possession and use of the Cars, whereupon all right and interest of Lessee in the Cars shall terminate and thereupon BRAE may enter upon any premises where the Cars may be located and take possession of them and henceforth hold, possess and enjoy the same free from any right of Lessee, provided that BRAE shall nevertheless have the right to recover from Lessee any and all rental amounts which under the terms of this Agreement may then be due or which may have accrued to the date on which BRAE took such possession; or

(ii) Proceed by any lawful means to enforce performance by Lessee of this Agreement. Lessee agrees to bear the costs and expenses, including without limitation reasonable attorneys' fees, incurred by BRAE in connection with the exercise of its remedies pursuant to this Section 8B.

9. Termination

As soon as possible after the expiration or earlier termination of this Agreement as to any Car, Lessee will surrender possession of such Car to BRAE free of refuse, and in good repair, condition and working order, acceptable for loading and interchange service, by delivering the same to BRAE at such interchange point on Lessee's railroad tracks as BRAE shall designate. For any Car not returned in the condition required hereby, Lessee shall be liable to BRAE for any and all cleaning, repair or servicing costs required to place such Car in such proper condition, unless such costs are the responsibility of BRAE under Section 5 hereof. BRAE shall be responsible for the removal of Lessee's railroad markings from each Car after the expiration or earlier termination of this Agreement as to such Car. Upon the reasonable request of BRAE, Lessee shall use its best efforts to load such Car with freight and deliver it to a connecting carrier for shipment. Lessee shall provide up to thirty (30) days free storage on its railroad tracks for BRAE or the subsequent lessee of any terminated Car at locations selected by Lessee. If any Car is terminated pursuant to Section 8 hereof, Lessee shall be liable to BRAE for all costs and expenses incurred by BRAE to move any such Car to BRAE's subsequent lessee and

to restencil such Car and place thereon the markings and name or other insignia of BRAE's subsequent lessee.

10. Indemnities

BRAE will defend, indemnify and hold Lessee harmless from and against (1) any and all claims based upon loss or damage to the Cars, unless occurring while Lessee has physical possession of the Cars and (2) any other type of claim, cause of action, damage, liability, cost or expense which may be asserted against Lessee with respect to the Cars (unless occurring through the negligence of Lessee), including without limitation claims with respect to the construction, purchase, delivery to Lessee's railroad line, ownership, leasing, return, use, maintenance, repair, replacement, operation or condition of the Cars, and claims caused by defects in the manufacture or workmanship of the Cars or any component thereof, or any material incorporated therein, which defects could not have been discovered upon reasonable inspection by Lessee.

11. Representations, Warranties and Covenants

Lessee represents, warrants and covenants that:

(i) Lessee is a corporation duly organized, validly existing and in good standing under the laws of the state where it is incorporated, has all necessary corporate power and authority, permits and licenses to perform its obligations under this Agreement, and has permanent operating authority as common carrier by rail.

(ii) The entering into and performance of this Agreement will not violate any judgment, order, law or regulation applicable to Lessee, or result in any breach of, or constitute a default under or result in the creation of any lien, charge, security interest or other encumbrance upon any assets of Lessee or on the Cars pursuant to any instrument to which Lessee is a party or by which it or its assets may be bound.

(iii) There is no action or proceeding pending or threatened against Lessee before any court or administrative agency or other governmental body which might result in any material adverse effect on the business, properties and assets, or conditions, financial or otherwise, of Lessee.

(iv) There is no fact which Lessee has not disclosed to BRAE in writing, nor is Lessee a party to any agreement or instrument nor subject to any charter or other corporate restriction which, so far as the Lessee can now reasonably foresee, will individually or in the aggregate materially adversely affect the ability of the Lessee to perform its obligations under this Agreement.

(v) There is no fact or other matter represented by the Lessee in written or other form and delivered to BRAE which is false or incorrect in any material respect as of the date made.

12. Inspection

BRAE shall at any time during normal business hours and subject to Lessee's safety requirements have the right to enter the premises of Lessee where the Cars may be located for the purpose of inspecting and examining the Cars to

insure Lessee's compliance with its obligations hereunder. Lessee agrees to use its best efforts to arrange for such inspections by BRAE of any Cars which may be located on property not owned by Lessee. Lessee shall immediately notify BRAE of any accident connected with the malfunctioning or operation of the Cars, including in such report the time, place and nature of the accident and the damage caused, the names and addresses of any persons injured and of witnesses and other information pertinent to Lessee's investigation of the accident. Lessee shall also notify BRAE in writing within five (5) days after any attachment, tax lien or other judicial process shall attach to any Car.

13. Miscellaneous

A. This Agreement and the Schedules contemplated hereby shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns, except that Lessee may not, without the prior written consent of BRAE, assign this Agreement or any of its rights hereunder or sublease the Cars to any party, and any purported assignment or sublease in violation hereof shall be void. It is understood and agreed that BRAE may assign this Agreement with respect to some or all of the Cars listed on any Schedule hereto to any trust of which BRAE or one of its wholly-owned subsidiaries is a beneficiary, to any corporate joint venture of which BRAE or one of its wholly-owned subsidiaries is a stockholder, or to any other owner of such Cars (each hereinafter a "Lease Assignee"), provided that BRAE or one of its wholly-owned subsidiaries enters into a management agreement with such Lease Assignee with respect to the Cars which preserves Lessee's rights hereunder. Upon delivery of a notice of assignment to Lessee, the term "BRAE" as used herein shall mean such Lease Assignee, and BRAE shall be relieved of all of its obligations and liabilities under this Agreement relating to such Cars. Lessee agrees to give its consent and to acknowledge, upon receipt of notice of assignment, such assignment of this Agreement by BRAE. BRAE warrants that any Lease Assignee of the Cars will subject such Cars to all the terms and conditions of this Lease, and that Lessee will be provided evidence of same when it is asked to give such consent(s) and acknowledgment(s).

Lessee also agrees to acknowledge, upon receipt, any security assignment of this Agreement by BRAE, or by any Lease Assignee, to an owner or secured party under any financing agreement or lease entered into by BRAE or such Lease Assignee in connection with the acquisition of all or part of the Cars leased hereunder. Lessee hereby agrees that any such assignment may be with respect to all or part of the Cars on any Schedule hereto. Any assignment of this Agreement by BRAE or any Lease Assignee to an owner or secured party shall not subject that owner or secured party to any of BRAE's or such Lease Assignee's obligations hereunder. Those obligations shall remain enforceable by Lessee solely against BRAE or such Lease Assignee, as the case may be.

B. Both parties agree to execute the documents contemplated by this transaction and such other documents as may be reasonably required in furtherance of any financing agreement entered into by BRAE in connection with the acquisition of the Cars in order to confirm the financing party's interest in and to the cars, this Agreement and Schedules hereto and to confirm the subordination provisions contained in Section 7 hereof and in furtherance of this Agreement. BRAE is expressly authorized to insert the appropriate railcar reporting markings and Car description on the Schedule(s) at such time as notice is delivered to BRAE by Lessee as to the correct reporting marks and physical description to be utilized.

C. It is expressly understood and agreed by the parties hereto that this Agreement constitutes a lease of the Cars only and no joint venture or partnership is being created. Notwithstanding the calculation of rental payments, nothing herein shall be construed as conveying to Lessee any right, title or interest in the cars except as a lessee only.

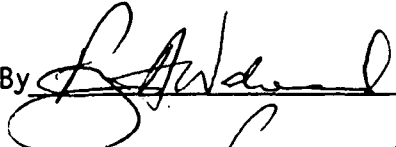
D. No failure or delay by BRAE shall constitute a waiver or otherwise affect or impair any right, power or remedy available to BRAE nor shall any waiver or indulgence by BRAE or any partial or single exercise of any right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy.

E. This Agreement shall be governed by and construed according to the laws of the State of California.

F. All notices hereunder shall be in writing and shall be deemed given when delivered personally or three days after deposit in the United States mail, postage prepaid, certified or registered, addressed to the president of the other party at the address set forth in the preamble to this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

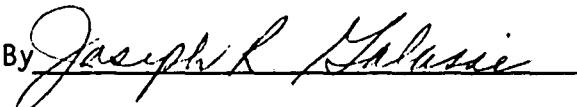
BRAE TRANSPORTATION, INC.

By 

Printed Name F. A. Walters

Title V.P. - Finance

BURLINGTON NORTHERN RAILROAD COMPANY

By 

Printed Name Joseph R. Galassi

Title Vice President Transportation

EQUIPMENT SCHEDULE NO. 1

BRAE TRANSPORTATION, INC. ("BRAE") hereby leases the following railcars to BURLINGTON NORTHERN RAILROAD COMPANY ("Lessee"), pursuant to that certain Lease Agreement dated as of January 1, 1986 (the "Lease").

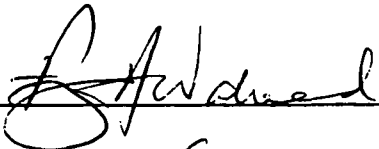
1.	Number of Cars	Description	Designation	Car Numbers
	300	50', 70 ton, double door, plate C boxcars	XM	SBD 162043-162242 (198) ONW 5001-5250 (20) IAT 1000-1024 (25) OPE 15101-15200 (25) TOE 5000-5879 (32)

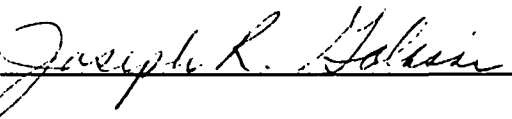
2. BRAE and Lessee hereby incorporate by reference all of the terms, conditions and provisions of the Lease in this Schedule.

IN WITNESS WHEREOF, the parties hereto have executed this Schedule as of the date first written above.

BRAE TRANSPORTATION, INC.

BURLINGTON NORTHERN RAILROAD COMPANY

By 

By 

Printed Name FERREL A. WATERS

Printed Name Joseph R. Galassi

Title V.P. - Finance

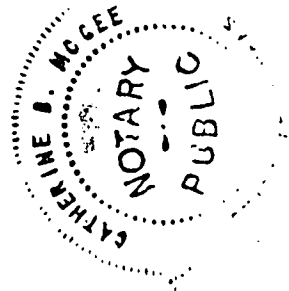
Title Vice President Transportation

STATE OF KANSAS
COUNTY OF JOHNSON

)
} SS
)

On this 24 day of APRIL, 19 86, before me personally appeared JOSEPH R. GALASSI, to me personally known, who being by me duly sworn says that such person is VICE PRESIDENT TRANSPORTATION of Burlington Northern Railroad Company, and that the foregoing Lease Agreement and Equipment Schedule No. 1 were signed on behalf of said corporation by authority of its board of directors, and such person acknowledged that the execution of the foregoing instruments were the free acts and deeds of such corporation.

Catherine B. McLee (seal)
Notary Public



~~STATE OF CALIFORNIA~~
KANSAS
~~CITY AND COUNTY OF SAN FRANCISCO~~
JOHNSON) SS
)

On this 6th day of JUNE, 19 86, before me personally appeared FEROZE A. WANI, to me personally known, who being by me duly sworn says that such person is U.P. - FINANCE of BRAE Transportation, Inc., and that the foregoing Lease Agreement and Equipment Schedule No. 1 were signed on behalf of said corporation by authority of its board of directors, and such person acknowledged that the execution of the foregoing instruments were the free acts and deeds of such corporation.

Catherine B. McLee (seal)
Notary Public